

VZCZCXRO8428
PP RUEHGR
DE RUEHWN #1220/01 1942038
ZNR UUUUU ZZH
P 132038Z JUL 06
FM AMEMBASSY BRIDGETOWN
TO RUEHC/SECSTATE WASHDC PRIORITY 2914
INFO RUCNCOM/EC CARICOM COLLECTIVE PRIORITY
RUEHCV/USDAO CARACAS VE PRIORITY
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL PRIORITY
RUMIAAA/HQ USSOUTHCOM J5 MIAMI FL PRIORITY

UNCLAS SECTION 01 OF 02 BRIDGETOWN 001220

SIPDIS

SENSITIVE
SIPDIS

SOUTHCOM ALSO FOR POLAD

E.O. 12958: N/A
TAGS: [EAGR](#) [ETRD](#) [PGOV](#) [BB](#) [XL](#)
SUBJECT: BARBADOS SUGAR INDUSTRY - STILL ON LIFE SUPPORT

REF: BRIDGETOWN 178

11. (SBU) Summary: The ailing Barbados sugar industry is a large drain on government resources. In 2004, the country lost US\$498 on each ton of sugar exported, for a total loss of US\$17,136,360. Instead of shutting down this incredible drain on resources, the government plans to invest US\$150 million in ethanol, biomass power generation, and branded sugar to save the industry. There is no longer any economic reason for Barbados to continue producing sugar, but an historic emotional attachment to the crop causes the government to keep the industry alive at considerable taxpayer expense. End Summary.

Black Hole for Government Funds

12. (SBU) According to Barbados government statistics, it cost US\$1,181 in 2004 to produce one ton of export-ready raw sugar in Barbados. Given the US\$683 average export price (all exports went to the European Union), Barbados lost US\$498 on every ton of sugar it exported. The country exported 34,400 tons of sugar in 2004 for a total loss of US\$17,136,360 or nearly US\$35,000 for each of the roughly 500 sugar workers. A government corporation, the Barbados Agricultural Management Company (BAMC), runs the sugar factories and handles all exports of the commodity. According to Executive Director of the Barbados Employers' Confederation, Harry Husbands, the sugar industry in Barbados is a partnership between the BAMC and private landowners, but the government bears most of the financial losses. Husbands shared his belief, echoed by others, that the only reason the government keeps the sugar industry going is because the cane looks nice for tourists.

Ethanol and Branded Sugar to the Rescue?

13. (U) Barbados Prime Minister Owen Arthur, in his January budget address (reftel), announced plans to invest US\$150 million in a new multi-purpose sugar factory. The facility includes a 30 megawatt power plant and a sugar cane processing plant to annually produce 12,000 tons of refined sugar for the domestic market, 10,000 tons of branded sugar for the export market, 5,000 tons of branded sugar for the local market, and 14 million liters of ethanol for the domestic market. (Note: Branded sugar is simply raw sugar repackaged and sold for a higher price than if it were sold in bulk. End Note.) This facility is supposed to save the industry by ending the bulk export of sugar to the European Union (EU). (Note: The EU is dropping its subsidized sugar

price by 36.0 percent over the next two years, from 523.7 Euros/ton to 335 Euros/ton. End Note.)

14. (SBU) Concrete information on the economics of this new plan, however, has been difficult to obtain. Carl Simpson, head of the BAMC, spoke positively of the plan in several public fora, citing a feasibility study showing ethanol production to be a viable option for Barbados. Simpson refused to pass a copy of the study to EconOff, however, and several prominent landowners (who lease their land for sugar production to the BAMC) also complained publicly that they were only given an executive summary of the study, done by Louisiana-based Shaffer and Associates. Explaining part of the island's high production cost, the Minister of Agriculture, Erskine Griffith, revealed that the Barbados yield ratio of 21 tons of sugar per acre of sugar cane is, "the lowest of any sugar producing nation." Griffith went on to say that producers in Brazil get up to 80 tons per acre.

Comment

15. (SBU) The fact that the feasibility study is under lock and key probably means the results are not what the government had hoped. Given the immense losses in the sugar industry, there is no valid economic reason to keep it alive, especially not for tourists, most of whom have no interest in sugar cane. Barbadians have an emotional attachment to the crop, however, that prevents politicians from rationally approaching the sugar issue. Their verdant waves of cane are like to our amber waves of grain.

16. (SBU) It is ironic in a country that endured hundreds of

BRIDGETOWN 00001220 002 OF 002

years of slavery, most of it doing the hot, brutal, work of farming cane and making sugar, that there would be such love for the crop. Nevertheless, sugar is so deeply imbedded in the Barbadian identity that successive generations of politicians have preferred to subsidize sugar rather than end its production. Thus far, Barbados has been able to afford the luxury of a sugar industry but that could change if the country's debt to GDP ratio, currently near 90 percent, keeps creeping upward.

KRAMER